# Report to

# the Minister of Learning:

# Edmonton Public School Board

# Operational Review

April 2003

## Executive Summary

Edmonton Public School Board (EPSB) is well-known for delivering an excellent quality education to students. The school jurisdiction operates a school-based decision making model and provides a range of choices and supports to students. In February 2003, the School Board indicated that this excellence was in jeopardy due to a financial "crisis" resulting in a projected $13.5 million deficit this year.

At the direction of the Minister of Learning, a team of Alberta Learning staff was brought together to work with the school jurisdiction to investigate their financial affairs in particular the projected deficit for 2002-2003 and determine what steps if any could be taken to ensure the quality of programming for students would not be compromised. The team visited the central office as well as eight schools over the course of a three-week period and reviewed all available documentation. The EPSB administration team and all those in the schools visited, provided excellent cooperation and assistance, which was greatly appreciated.

***Key Finding:***

*Edmonton Public School Board can end the school year with an accumulated operating deficit of $5 million.*

It is undeniable that the 14.09 per cent arbitrated salary settlement for teachers has presented fiscal challenges for school boards in 2002-2003 and, to an even greater extent, in 2003-2004. Based on the available data as identified in this report, however, the 2002-2003 projected deficit for EPSB could have been avoided through:

- improved planning and budgeting – including the retention of the Board's $5.8 million surplus at August 31, 2001;
- more attention to discretionary spending;
- improved policies and organizational structure to gain system-wide efficiencies;
- better utilization of staff; and,
- better utilization of schools and board facilities.

The review team also found that EPSB can end the school year with an accumulated operating deficit of $5 million, which amounts to less than one per cent of their operational budget of $578 million. This reduced projection is due to the following:

- an injection of $1.2 million in transitional Operations and Maintenance funding that had not been accounted for at the jurisdiction;
- the transfer of $1.9 million from capital reserves to operations;

- projected savings of about $1.6 million through cost controls between now and the end of the school year;
- an overlapping in accounting for the allocation of resources to schools and central services, which resulted in an overestimation of their total deficit; and,
- removal of the estimated $2 million deficit related to Metro Community College (now projected at $1.6 million).

## Findings/Recommendations

### 1. Improved planning and budgeting

Through Budget 2001, EPSB received basic grant and salary enhancement funding increases amounting to $41 million (not including operations and maintenance funding). The cost of the arbitrated salary settlement was $38.6 million.

***Key Findings***

*School budgeting processes did not account for any increase in teacher salaries, including the guaranteed 6 per cent Teacher Salary Enhancement funding provided by the province.*

*No actions or contingency plans were in place to account for increased salaries.*

*$5 million of available surplus was distributed, not retained for contingencies.*

Much of the difficulty the Board currently faces relates to the fact that its 2002-2003 budget process projected average teacher costs to be lower than budgeted the previous year. While there was a guarantee of at least a 6 per cent teacher salary increase, a pattern of 15 other negotiated settlements in the range of 10 to 12 per cent and the possibility of even larger increases at arbitration, most EPSB schools did not take this into account and staffed for 2002-2003 using a near-zero increase. When in October 2002, the actual average teacher cost for 2002-2003 was determined to be $70,070, local school budgets could not absorb the increased costs of the larger salary settlements. Schools then used non-salary dollars and surpluses to cover the costs of the higher salary costs. Some schools moved to a deficit position.

The use of these reduced salary projections led to inaccurate budget. Some schools did put some money away in other areas of their budget. For example, one school visited set aside funding for salaries based on media information available at the time of their budgeting process and this school is expected to report a $500,000 operating surplus this year.

School budgets did not reflect that the Board had established a minimum increase of 6 per cent based on the Salary Enhancement funding provided by the province, and did not factor in that the Board offered a 10 per cent increase for salaries to the Alberta Teachers' Association (ATA) bargaining unit early in June 2002. This faulty planning premise was further aggravated by the fact that the Board took no action to provide for contingencies or to adjust their plans until nearly five months after the arbitration award was

issued. The Board appeared to have adopted a philosophy that government would unquestioningly provide additional dollars for salaries for any costs over and above the Salary Enhancement funding.

The Board also negotiated three contracts with non-teacher locals providing 10 per cent staged increases over two years (2002-2003 and 2003-2004). In addition, in January 2003 the Board awarded 11% increases to their management staff and trustees. As with teacher salary costs, for the most part EPSB did not budget for the increased costs as a result of these new contracts.

As part of budget planning, EPSB would be expected to have reviewed all reasonable actions and delivery models that would generate gains in efficiency and economy, prioritized all of its programs, significantly reduced all discretionary, non-funded and non-critical expenditures, and eliminated most non-classroom inefficiencies and excesses. The operational review found little evidence that these activities occurred. In fact, more action on these planning activities has been taken by the Board since this review began, than in the last half year.

***Key Findings***

*EPSB did not retain its $5.8 million accumulated operating surplus from the 2000-2001 school year.*

*EPSB's budget planning process has resulted in an accumulated operating deficit position in 17 of the last 25 years.*

For example, the review found that EPSB did not retain its $5.8 million accumulated operating surplus from the 2000-2001 school year. Rather than holding this surplus to provide a buffer to help address any unanticipated cost pressures in the coming year, the Board distributed most of these funds. Following suit, most schools did not maintain these additional dollars to address the increased costs in the next school year. This move brought the Boards' accumulated operating surplus down to $800,000 at the end of the 2001-2002 school year.

EPSB hired 82 additional teaching staff as compared to 2001-2002 levels, even though EPSB experienced a limited enrolment growth of approximately 300 full-time equivalent students, as most of the enrolment growth was in the area of home education. The cost impact of hiring these teachers was approximately $4.4 million higher than any related increase in funding for the new students.

EPSB's budget planning process has resulted in an accumulated operating deficit position in 17 of the last 25 years. In the past, when the Board had access directly to the tax base, they increased property taxes the next year to pay for the deficit the previous year. Since 1993-1994, when access to the property tax base was removed, EPSB has budgeted to recover from an accumulated operating deficit position by changing resource allocations to schools in the following year. In essence, it has been the past practice of the Board to absorb centrally any deficit incurred in a year and to recover the amounts the following year by not allocating as much to schools. It appears EPSB has no mechanism in place for budgets to be revised or adjusted when additional information becomes available after a budget is approved.

**2. More attention to discretionary spending**

***Key Findings***

*Better controls on discretionary spending are needed.*

*One school took all 100 staff for a training session to the Jasper Park Lodge– not long after the School Board renovated the central office building to have an in-house training facility.*

Although the majority of school budgets are dedicated to staffing, there are still considerable discretionary spending resources available at the Central Administration and school level. Tighter controls and increased scrutiny of these discretionary items would bring efficiencies and yield savings.

For example, although the Board spent more than $517,000 to recently renovate their central office facility to serve as a central training center, a number of schools still opt to use training sites other than the central office building. Several out-of-city trips were recorded at the school level, sometimes for the entire school teaching and support staff -- including stays in resorts such as the Jasper Park Lodge.

Another example of the need for tighter controls was found at one school where $601,000 of instructional dollars (school surplus) was used to convert a former lab area into a second physical education space. Not only was this expenditure not essential, it was completed despite a request from the Superintendent that it not continue.

The EPSB also has a cafeteria in the central office building called the BlackBoard Deli. It is projecting an accumulated operating deficit of $140,000 for 2002-2003. Although this amount is declining, this should be a complete cost recovery operation.

### 3. Improved policies and organizational structure to gain system-wide efficiencies

***Key Finding***

*Having 208 principals reporting directly to the Superintendent does not allow for adequate attention to accountability matters.*

EPSB has a very decentralized decision making system as a result of their site-based decision-making model. While there are a number of advantages to having as many decisions as possible being made at the school level, there are a number of improvements that can be made to gain system-wide efficiencies and better utilize expertise while not detracting from site-based decisions. Some changes to the organizational structure could improve accountability and monitoring. With all 208 school principals reporting to the Superintendent, the structure does not currently allow for adequate attention to these accountability matters.

Principals serve as the CEO of their schools, making daily decisions about matters such as maintenance, caretaking, and technology – areas where, as instructional leaders, principals may not have the expertise or time to best lead these tasks. At the same time, EPSB is losing significant opportunities for standardization of processes and economies of scale. While progress has been made in this area in the past two or three years – technology and utilities are two examples – much more can be done. Efficiencies can also be gained in areas such as organizational structure and streamlining of student transportation services.

***Key Finding***

*Significant opportunities exist for standardization of processes and economies of scale.*

School principals spend a large amount of time "purchasing" district support services that include consulting, marketing, facility management, financial services, and information technology services. These services are generally charged on an hourly basis, which results in a significant amount of time and effort spent on administering this "charge-back" system. Streamlining these processes would allow principals more time to focus on educational and pedagogical issues. The goal of any changes would be to have principals maintain autonomy, but within certain bounds.

In addition, EPSB has a policy that purchases over $1,000 are to be processed through the purchasing area in order to consolidate vendor purchasing and negotiate cost savings to benefit the district as a whole. Although all school principals are said to be aware of the $1,000 purchase limit, several instances of invoice splitting and policy breach were noted, including those purchases made with district credit cards. In one instance a purchase exceeded not only the $1,000 limit, but also the $10,000 public tender requirement policy. Appropriate process improvements have since been implemented.

**4. Better utilization of staff**

The School Board does not have an overall staffing strategy, rather each school develops its own individual plan. By developing an overall staffing strategy the Board would be able to gain efficiencies in a number of areas.

Alberta Learning mandates a minimum number of hours of instruction for students in each grade of school. EPSB is not currently meeting those minimums. However, EPSB has recently taken steps to address that deficiency next year and has added a requirement for teachers to spend six minutes more per day in the classroom.

***Key Finding***

*$3 million annually could be saved by ensuring the district fulfills the practice of teachers spending 1400 minutes per week teaching in the classroom.*

The review found that the current Board practice, which requires teachers to spend 1400 minutes per week teaching in the classroom, is not being met. The review found that actual instruction time ranged from 1330-1400 minutes. On average, elementary schools were meeting the instructional time expectation, however, junior high and senior high school were below the required level. In addition to the $1.2 million savings the Board will realize next year through the addition of the six minutes, the Board would save an additional $3 million annually by fulfilling their district requirement of 1400 minutes of instructional time per week.

The review also found that in the school years 1998-1999 to 2001-2002, the number of days in which substitute teachers were used to cover for teachers absent for professional development, increased by nearly 73 per cent. While professional development is important, these absences do not include the pre-set professional development and teachers' convention days where substitute teachers are not required for cover off. Absences for professional development, where coverage is required, amount to 40 full-time equivalent teaching positions.

**5. Utilization of schools and Board facilities**

EPSB has a school facilities' utilization rate of about 68 per cent compared to the provincial average of 74 per cent. This underutilization of facilities not only means that excess space is operated, it also means that additional dollars are diverted to administrative services rather than instructional programs. Each small school requires a principal, office and custodial staff, as well as equipment like photocopiers or faxes. While school consolidations or closures are always difficult decisions, enhanced facility use by EPSB would free up dollars to dedicate to the classroom, thereby enhancing programs to the benefit of all students.

***Key Finding***

*Removing excess space in school portables would save the Board $200,000 per year.*

*Consolidating or closing one school saves about $250,000 per year.*

It is important that the Board develop and implement a long-term school facilities plan. One of the actions that can be taken is to remove surplus school portables, thus reducing this surplus space. This action alone could yield an estimated annual savings of $200,000 and would improve the Board's school utilization rate. In addition, each school consolidation or closure would save the Board approximately $250,000 – and at the same time generate additional Operations and Maintenance funding.

**6. Metro Community College**

Metro Community College provides adult education and recreational programs and is expected to operate on a full-cost recovery basis. Dollars dedicated by the province for the Kindergarten to Grade 12 education system are not to be used to subsidize continuing education and recreation programs for adults. Therefore, the projected $1.6 million deficit (revised estimate down from $2 million) for Metro Community College should be considered separately from the Boards' overall budget, due to the nature of its operation.

The projected shortfall at Metro Community College exists primarily as a result of duplication of high school courses being offered by individual schools within EPSB as well as the impact of the move to a new higher cost facility. There are a number of steps the Board can take to streamline this planning process for summer courses.

## 7. Next Steps

The recommendations in this report should have been implemented over the past number of years. Reasonable action on a timely basis would have enabled the changes to take place in an orderly fashion so as to minimize the impact on students. As only minimal action has been taken, the Board now faces a situation where significant change has to be implemented to streamline its operation.

***Recommendation***

*The Board should be allowed to amortize their projected deficit of $5 million over two years.*

While cost-efficiencies have been found for this year, more could have been achieved had action been taken earlier in the school year. The operational review team believes, however, that if the Board makes constructive decisions between now and the time when the audited financial statements are finalized in November 2003, EPSB can limit its accumulated operating deficit at August 31, 2003 to approximately $5 million, excluding the amount projected for Metro Community College.

Given that $5 million is less than one per cent of the Boards' annual budget of $578 million, normally EPSB would be required to eliminate its accumulated operating deficit by August 31, 2004. As two of the items that helped reduce the projected accumulated operating deficit for 2002-2003 to $5 million are one-time in nature (i.e. the $1.9 million transfer of capital reserves into operations and the $1.2 million of additional Operations and Maintenance funding), and considering that significant adjustments would now be required for the 2003-2004 school year to end in an accumulated surplus, the operational review team recommends that the Board be given until August 31, 2005, to return to a balanced position with appropriate contingencies.

Planning

Based on the recommendations within this report, and the recommendation to delay returning to a surplus position until 2005, EPSB will need to revisit its school resource allocations for 2003-2004. When finalizing 2003-2004 resource allocations for schools and central services decision units, all revenue streams should be considered.

## Projected 2002-2003 EPSB Deficit

| | | |
|---|---|---|
| **Projected by EPSB February 3, 2003** | | **$13.5 million** |
| **Projected by the Operational Review Team:** | | |
| As provided by EPSB: | | |
| Projected 2002-2003 accumulated surplus/deficit at schools | | ($3.0 million) |
| Projected 2002-2003 accumulated surplus/deficit at central services decision units (including Metro Community College) | | ($3.8 million) |
| | Subtotal | ($6.8 million) |
| Not passed on to schools by adjusting their resource allocations: | | |
| • O&M initial funding reduction from Alberta Infrastructure for 2002-2003 | | ($3.4 million) |
| • Portion of Grade 10 Funding change | | ($0.5 million) |
| • Unplanned Special Needs cost pressures | | ($1.0 million) |
| | Subtotal | ($4.9 million) |
| | Total | ($11.7 million) |
| Remove Metro Community College December 2002 – 2002-2003 projected deficit | | $2.0 million |
| | New Total | ($9.7 million) |
| Potential 2002-2003 savings identified in the report: | | |
| Reduced school based capital expenditures | $0.4 million | |
| Reduced discretionary spending (Prof. Dev.) | $0.3 million | |
| Unfilled positions due to attrition | $0.5 million | |
| Deferred summer school-funded maintenance projects | $0.4 million | $1.6 million |
| | Subtotal | ($8.1 million) |
| One-time items announced since February 3, 2003: | | |
| • 2002-2003 transitional O&M funding from Alberta Infrastructure | | $1.2 million |
| • Transfer of capital reserve to operations (sale of buildings) | | $1.9 million |
| | | **($5.0 million)*** |

* NOTES:

1. The accuracy of this projection is dependent upon the accuracy of the estimates provided by the schools and central services decision units to EPSB in December 2002 and on the specific actions taken by these budget areas between now and the end of the fiscal year.
2. There is an overlapping in accounting by EPSB for the allocation of resources to schools and central services, which resulted in an overestimation of the total deficit.
3. This amount excludes the current projected deficit at Metro Community College at August 31, 2003 of $1.6 million (projected at $2.0 million in December 2002).

## EDMONTON PUBLIC SCHOOL BOARD (EPSB)
## AT A GLANCE

The Edmonton Public School Board has a budget of $578 million for 2002-2003. Since 1995-1996, funding from Alberta Learning to the Board has increased by 46%, while enrolment increased by about 6%.

| **Edmonton Public Numbers** | 2001-2002 | 2002-2003 |
|---|---|---|
| Students | 81,866 | 82,447 |
| Schools | 213 | 215 |
| Teachers | 4,387 | 4,468 |
| Non-teaching staff | 2,811 | 2,714 |

| **Salaries & Remuneration** | Edmonton Public | Provincial Average |
|---|---|---|
| New Teacher (4yrs. education)* | $42,684 | $42,867 |
| Teacher (4 yrs education) Maximum* | $67,537 | $67,724 |
| Teacher (6 yrs education) Maximum* | $72,746 | $72,893 |
| School Principal (range)* | $89,289 to $100,881 | $85,039 to $95,720 |
| Trustee (2001/02) | $29,807 | $12,600 |

(*Based on 2002/03 comparisons as of March 2003)

| **Achievement Testing Results** | Edmonton Public | Provincial Average |
|---|---|---|
| Acceptable Standard | 85.8% | 85.2% |
| Standard of Excellence | 22.5% | 19.7% |

(Based on 2001/02 achievement testing results)

| **Class Size** | Edmonton Public | Provincial Average |
|---|---|---|
| ECS (average class size) | 18.9 | 19.7 |
| Grades 1-6 (average class size) | 23 | 23.6 |
| Lowest Size Reported | 6 | 3 |
| Highest Size Reported | 36 | 36 |

(Based on class size survey conducted in the Fall 2001)

**Facility Utilization Comparison**

Edmonton Public..... 68%
Edmonton Catholic..... 70%
Calgary Public..... 79%
Calgary Catholic..... 90%
Provincial Average..... 74%

(Based on 2002/03 school year, Source Alberta Infrastructure)

## EDMONTON PUBLIC SCHOOL DISTRICT

Enrolment by Grade and School Year

| School Year | ECS | Elementary | | | | | | | Junior High | | | | Senior High | | | | | Ungraded | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Grade 1 | Grade 2 | Grade 3 | Grade 4 | Grade 5 | Grade 6 | Special Needs | Grade 7 | Grade 8 | Grade 9 | Special Needs | Grade 10 | Grade 11 | Grade 12 (age<20) | Grade 12 (age≥20) | Special Needs | | |
| 1993/1994 | 6,091 | 6,133 | 6,082 | 6,028 | 5,866 | 5,835 | 5,543 | 1,790 | 5,287 | 5,192 | 5,006 | 743 | 6,158 | 5,384 | 6,720 | 969 | 447 | | 79,274 |
| 1994/1995 | 5,881 | 5,986 | 5,696 | 5,821 | 5,753 | 5,659 | 5,697 | 1,663 | 5,553 | 5,289 | 5,180 | 644 | 5,986 | 5,213 | 6,428 | 36 | 347 | | 76,832 |
| 1995/1996 | 6,193 | 6,114 | 5,940 | 5,708 | 5,847 | 5,882 | 5,758 | | 5,965 | 5,751 | 5,499 | | 6,372 | 5,561 | 6,517 | 43 | | 1,996 | 79,146 |
| 1996/1997 | 5,953 | 6,079 | 5,661 | 5,661 | 5,521 | 5,689 | 5,734 | | 5,755 | 5,857 | 5,659 | | 6,467 | 5,700 | 6,585 | 280 | | 1,477 | 78,078 |
| 1997/1998 | 5,719 | 6,053 | 5,877 | 5,697 | 5,682 | 5,592 | 5,757 | | 5,940 | 5,940 | 6,067 | | 6,196 | 5,904 | 7,013 | 253 | | 1,114 | 78,804 |
| 1998/1999 | 5,763 | 5,744 | 5,930 | 5,882 | 5,769 | 5,761 | 5,640 | | 5,983 | 6,107 | 6,081 | | 6,328 | 5,912 | 7,643 | 335 | | 1,029 | 79,907 |
| 1999/2000 | 5,683 | 5,698 | 5,671 | 5,898 | 5,864 | 5,898 | 5,842 | | 5,991 | 6,145 | 6,276 | | 6,450 | 6,172 | 8,080 | 363 | | 913 | 80,944 |
| 2000/2001 | 5,713 | 5,716 | 5,725 | 5,720 | 6,103 | 6,017 | 6,056 | | 6,155 | 6,157 | 6,260 | | 6,662 | 6,531 | 9,057 | 438 | | 131 | 82,441 |
| 2001/2002 | 5,620 | 5,678 | 5,828 | 5,743 | 5,868 | 6,240 | 6,065 | | 6,286 | 6,268 | 6,187 | | 6,538 | 6,432 | 8,719 | 394 | | | 81,866 |
| 2002/2003 | 5,493 | 5,656 | 5,754 | 5,817 | 5,851 | 5,953 | 6,287 | | 6,300 | 6,423 | 6,380 | | 6,384 | 6,552 | 9,174 | 423 | | | 82,447 |

### Enrolment Information for 2002-2003

- Total enrolment up (+581)
  - The estimate for funded student growth in 2002-2003 is 300 Full Time Equivalent (FTE) students.
  - Out of the total enrolment growth, Argyle Home Education Centre accounted for (+457). As this program varies from pure home education to a full on-line program, funding per student varies and does not equate to full funding for the 581 student growth in EPSB.
- Early Childhood Service (ECS) enrolment down (-127)
- Grades 1-6 enrolment down (-104)
- Grades 7-9 enrolment up (+362)
- Grades 10-12 enrolment up (+450)
- Prior years' increases reflect EPSB taking over a number of private schools, thereby inflating some of the pure enrolment growth.
- Enrolment for 2003/2004 is expected to flatten and thereafter slowly decline as a result of smaller numbers of ECS children coming into the system as compared to Grade 12's leaving the system.
- Enrolment changes are also subject to migration, EPSB's past practices of taking over some private schools, and other factors.

## SEQUENCE OF EVENTS

**April 25, 2001:**

In a news release, Alberta Learning outlines that, as in past, school boards have the discretion to use the 3.5% and 3% increase in the block grant, in addition to the 4% and 2% teacher salary enhancement funding, for salary increases for teachers.

**May 2001 to February 2002:**

Negotiations are conducted on and off, with EPSB offering 6% over two years and the ATA demanding 30%.

**February 2002:**

Prior to the teacher job action, 3 jurisdictions settle for a staged 11.5% end rate increase for 2001-2002 and the provincial average for 2002-2003.

**February 4 to 21, 2002:**

The EPSB ATA bargaining unit goes on strike for 13 school days.

**February 26, 2002:**

Board approves a budget-planning base of $577,700,000 for the 2002-2003 school year.

**March 2002:**

Schools develop their budgets for the 2002-2003 school year, with many building in little or no increase from the average teacher costs used for 2000-2001, in spite of the Board's offer of 4% +2% and several settlements in the province around 12%.

**April 5, 2002:**

Alberta Learning advises school boards of changes to Grade 10 funding.

**April 11, 2002:**

EPSB Superintendent notifies high school principals of the change in Grade 10 funding effective in 2002-2003. Indicates that Budget Services & Student Information staff are analyzing the impact the funding change will have on high school budget allocations. Superintendent states that principals are not required to make any adjustment to the proposed planning and budget documents. Superintendent states that should allocation adjustments be required, subsequent to submitting the 2002-2003 proposed planning documents, high schools will be notified.

**May 13, 2002:**

Administration advises the Board that, due to the funding change for grade 10 and no confirmation of a funding increase for Operations & Maintenance by Alberta Infrastructure, $5 million of budgeted revenue is at risk.

**May 13, 2002:**

Board approves the 2002-2003 budget without adjusting for $5 million of revenues at risk. Resource allocations to schools are not adjusted.

**June 2002:**

Each high school principal is invited to meet with Student Information & Budget Services to review individually the financial impact of the grade 10 funding change so plans could be adjusted accordingly. All but $500,000 is absorbed by the schools.

**June 11 and 12, 2002:**

The arbitration tribunal hearings are held. EPSB offers "6% and 4%" and hopes the Arbitration Panel does not exceed this amount in their award. EPSB is confident that it can afford these increases. It is concerned, however, that further increases beyond the 10% will not be sustainable.

**June 27, 2002:**

The Arbitration Tribunal award for EPSB calls for a staged settlement for teachers with a 14.09% salary increase. The cost impact to the jurisdiction over the 2001-2002 and 2002-2003 school years is 12.16%, with 1.93% of the cost carried forward to 2003-2004 due to the staged increases. It also required EPSB to eliminate the first salary level for a beginning teacher effective September 1, 2001, thereby increasing the starting rate for teachers.

**June 27, 2002:**

Alberta Learning receives the approved and balanced 2002-2003 budget from EPSB.

**July and August 2002:**

Forty-six additional teachers are hired by schools, resulting in an overall increase of 82 teachers from 2001-2002 levels.

**July 7, 2002:**

The reduction in Operations and Maintenance grant funding is officially communicated to EPSB by the Minister of Infrastructure, approximately two months after the Board approved the 2002-2003 budget and two months before the start of the school year. (The Board had been advised by EPSB administration of the potential reduction on May 13, 2002.)

**August 1, 2002:**

A three member Alberta Learning Review Team meets with EPSB to obtain a better understanding of the challenges and issues facing Edmonton Public, and to work with them in dealing with the budgetary effects of the arbitration tribunal's decision. EPSB indicates it is confident that it can accommodate the 6% (2001-2002) and 4% (2002-2003) offered to teachers during the negotiations process just prior to the Arbitration awards by using 2% of the 3.5% basic instruction grant increase in 2001-2002 and 2% of the 3% basic instruction grant increase in 2002-2003 in addition to the teacher salary enhancement funding of 4% and 2% in the same two years. It indicates the new salary settlement calculations have yet to be run.

**August 2002:**

Superintendent advises schools to be prudent with budgeting given the arbitrated settlement.

**September 9, 2002:**

The Superintendent and senior staff of EPSB meet with the Deputy Minister to discuss budget projections for the next year. EPSB expects it will be in a surplus position at August 31, 2002 but indicates that it may have a minimal accumulated operating deficit (AOD) at August 31,2003. The Superintendent hopes that, if that is the case, it would be acceptable to the Minister of Learning for EPSB to develop a plan to recover this shortfall in the 2003-2004 school year.

**September 2002:**

EPSB informs schools that no increase in grants will be coming to cover the difference between the arbitrated settlement and the teacher salary enhancement grant. Schools and central decision units were advised to balance their site-based budgets.

**October 17, 2002:**

The Minister of Learning meets with the Board to examine the strategies available to address EPSB's budget challenges. The Minister emphasizes that the province is not planning for any school board to have an accumulated operating deficit, with the exception of the current outstanding amount at the Calgary Board of Education. The Minister presents a number of options for EPSB's consideration, including reviewing instruction time, maximizing facilities and deferring board funded capital expenditures. The Board indicates that minutes of instruction will not be brought to the table before the 2003-2004 round of negotiations, and that it is reluctant to close schools or defer capital items.

**Late October 2002:**

The financial specifications for 2002-2003 received from the schools and central units reveal that the spending plans will result in the EPSB having a 2002-2003 deficit of between $15 and $18 million depending on Operations and Maintenance funding levels. (Conveyed to Alberta Learning in a December 6, 2002 letter from the acting Board chairman to the Minister of Learning.)

**November 1, 2002**

The EPSB Superintendent requests that the schools and Central Services units review their planned expenditures and identify any adjustments that could be made to mitigate any potential shortfall. Specifically, the Superintendent established the following expectations:

- Schools with deficits should not increase their deficit unless approved by the Superintendent; Deficits will be reduced in accordance with plans previously approved by the Superintendent; All decision units will be expected to reduce expenditures where possible (including retaining 2001-2002 surpluses); Consideration must be given to deferring, reducing in scope, or canceling projects, e.g., upgrading of a computer room, school funded capital projects, out of city travel. Care must be taken not to establish situations where reductions in one area are creating a major deficit in another. Schools with surpluses will make every effort to maintain that position.

**November 12, 2002:**

Principals and central services units respond as to how they plan to meet the expectations as requested by the Superintendent on November 1.

**November 16, 2002**

The Board offers three non-teaching staff locals a 10% increase over the two years (2002-2003 and 2003-2004), and this is ratified by all parties.

**November 28, 2002:**

Alberta Learning receives EPSB's Audited Financial Statements for the year ending August 31, 2002, which reports an accumulated operating surplus of $0.8 million with which to start the 2002-2003 school year (a decline of $5.0 million from 2001-2002 school year level).

**December 6, 2002:**

In a letter to the Minister of Learning, EPSB indicates a projected deficit for 2002-2003 of $10.5 million, assuming that they will be receiving additional funding for Operations and Maintenance. Notwithstanding this shortfall, EPSB states it plans to operate with a balanced budget for 2003-2004, with the anticipated 2002-2003 deficit being factored into the allocations for next year. The Board reasons that this would enable it to plan for a balanced budget for 2003-2004 rather than undertake further measures during the current year. The Board states that if the 2003-2004 grant increases are limited to 2%, it may have to approve a budget that includes a reduction of up to 350 teachers and larger average class sizes.

**December 6, 2002: (continued)**

The Board states its community is strongly opposed to the closure of schools but that in January 2003 it will review a report that will present different strategies for enhanced space utilization in EPSB, including school closures, twinning schools under a single administrator, sale of surplus schools, conversion to other uses or demolition of parts of buildings that are no longer required for educational purposes.

**January 23, 2003:**

EPSB tells the media the district has been forced into its current position because the province only provided 6% to cover teachers' raises of 14% over two years. The Minister of Learning advises the Board that it is not acceptable that EPSB is now projecting an accumulated operating deficit of $10.5 million, depending on re-instatement of Operations & Maintenance funding. He reminds the Board that there was no indication of this deficit at his October 17, 2002 meeting with them, and that it appears additional initiatives must be undertaken to totally mitigate this projected deficit.

**January 28, 2003:**

The Board unanimously votes to increase the salary schedule for Exempt Management and Exempt Non-Management positions and increase the remuneration for trustees.

**February 2, 2003:**

The Board sends a letter home to parents about the projected $13.5 million deficit.

**February 4, 2003:**

The Minister of Learning advises the Board that a review of their books will be done to better understand the Board's financial situation.

**February 24 to March 14, 2003**

The Operational Review Team conducts field visits to central office and eight schools.

**February 27, 2003:**

At a meeting with the Minister of Learning, EPSB Board Chair formally requests a time extension to manage EPSB's deficit over a three-year period.

**April 7, 2003:**

EPSB Operational Review Report is released.

## Alberta Learning's Operational Review of Edmonton Public School Board

***Summary of Findings***

| | | |
|---|---|---|
| **Projected 2002/2003 EPSB Deficit** | $ | (5,000,000) * |

| **Recommendations** | **2003/2004 Savings** |
|---|---|
| 1 Budget using realistic unit costs (process issue) | Unknown but Significant |
| 2 Cap staff remuneration at 85% of school site-based budget (process issue) | Unknown but Significant |
| 3 Reduce small school subsidy (already identified by EPSB for 2003-2004) | $ 2,000,000 |
| 4 Instruction time | |
| 4a Deliver the minimum minutes per teacher currently required for 2002/2003 (eliminate slippage from 1400 minutes) | $ 3,000,000 |
| 4b Increase to 1430 minutes (already identified by EPSB for 2003/2004) | $ 1,200,000 |
| 5 Maximize facilities, remove surplus portables, etc. | $ 900,000 |
| 6 Unfilled positions due to attrition | $ 500,000 |
| 7 Stengthen Central Office, capture opportunites for standardization of processes and economies of scale | Unknown but Significant |
| 8 Align school custodial staffing levels with the current provincial and jurisdictional average | $ 1,400,000 |
| 9 Strenghen role of CFO (Corporate Treasurer) | Unknown |
| 10 Other items (substitute teachers, discretionary spending) | $ 500,000 |
| 11 Central Services Decision Units (several identified for analysis) | Unknown but Significant |
| **TOTAL** | **$ 9,500,000** |

**Inappropriate/unnecessary 2002/2003 spending at the locations visited**
**(excluding items already mentioned - instruction time, inefficient use of space, etc.)**

| | | |
|---|---|---|
| Unapproved, unfunded facilities modernization project (W.P. Wagner) | $ | 601,000 |
| Trips to Jasper Park Lodge, San Francisco | $ | 37,000 |
| Second campus at Jasper Place (Stratford School) (already identified by EPSB for 2003/2004) | $ | 416,000 |
| Lease costs (Metro Community College) | $ | 500,000 |
| Teacher hirings beyond that required to handle enrolment growth | $ | 4,360,000 |
| | **$** | **5,914,000** |

* **This amount does not include the current projected deficit for Metro Community College of $1.6 million.**